

Sales Tax, Use Tax, Income Tax Withholding and Michigan Business Tax Estimates

Forms and Instructions

Call (517) 636-4730 or visit Treasury's Web site at **www.michigan.gov/businessstax** for:

- Existing Electronic Funds Transfer (EFT) account questions
- Specific account questions (credits, assessments, penalty waivers, etc.)
- Technical questions (taxability of items, law changes, etc.).

Listen to all options on the automated phone system before making a selection. Persons who have hearing or speech impairments may call (517) 636-4999 (TTY only).

Write to Treasury

Send correspondence to:

Customer Contact Division
Michigan Department of Treasury
P.O. Box 30427
Lansing, Michigan 48909

Write your account number on all checks and correspondence. Returns should be sent to the address on the return.

Business Self Service. Check your sales, use, and withholding tax transactions online at **www.michigan.gov/businessstax**. Ask questions about your account by clicking on the appropriate buttons and following the instructions.

EACH BUSINESS MUST FILE AN ANNUAL RETURN FOR SALES, USE AND WITHHOLDING TAXES (FORM 165).

What's Inside

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Filing Requirements: You are required to file each return, even if no tax is due. Your filing frequency is determined by the Michigan Department of Treasury.

Filing Frequency	Due Date	Combined Return	Discount Voucher	EFT: ACH Debit or Credit	Annual Return
Annual Filer Only (1 Return): <i>Total tax liability of less than \$750 for a calendar year (Jan-Dec).</i>	February 28 (after tax year end)				✓
Quarterly Filer (4 returns): <i>Total tax liability of \$750 - \$3,600 for a calendar year (Jan-Dec.)</i>	20th of the month following quarter's end	✓	✓		✓
Monthly Filer (12 Returns): <i>Total tax liability greater than \$3,600 for a calendar year (Jan-Dec.) Seasonal filers: see Page 6.</i>	20th of the following month	✓	✓		✓
Electronic Funds Transfer (EFT): <i>Available to all taxpayers - transmissions are required on a monthly basis.</i>	20th of the following month			✓	✓
Accelerated Sales and Use Tax EFT: <i>Required for Sales or Use Tax liability of at least \$720,000 for the preceding calendar year.</i>	Monthly Transmissions: <ul style="list-style-type: none"> • 1st payment 20th of the month • 2nd payment last day of the month • 3rd payment 20th of the subsequent month 			✓	✓
Accelerated Withholding Tax EFT: <i>Required for Withholding Tax liability that averages \$40,000 or more each month.</i>	Paid according to federal schedule			✓	✓
Accelerated Withholding Tax EFT: <i>Elect to pay Sales and Use Tax via check and return.</i>	Paid according to federal schedule	✓		✓	✓

Important Information

New Coupon Book Format. The format of your Tax Year 2009 coupon book has changed. Your monthly/quarterly returns and vouchers are no longer affixed to the front of the *Sales Tax, Use Tax, Income Tax Withholding and Michigan Business Tax Estimates* (Publication 78).

Enclosed with your materials is a *Notice of Change or Discontinuance* (Form 163) and *Sales Tax License* (Form 164) if applicable. New for this year is a pre-identified *Annual Return for Sales, Use and Withholding Taxes* (Form 165). A peel-off label to affix to Form 165 is no longer included.

If you file a *Combined Return for Michigan Taxes* (Form 160) please take extra care that you are submitting the correct return for the period for which you are filing.

Postage Changes. Effective May 2007, the U.S. Post Office calculates postage based on the weight, size and thickness of an envelope. Consult with the Post Office before mailing to avoid delays in delivery; items with insufficient postage will be returned to the sender by the U.S. Postal Service.

Sales Tax Computation. To determine the tax, retailers must compute the tax to the third decimal place and round up to a whole cent when the third decimal place is greater than four, or down to a whole cent when the third decimal point is four or less.

Filing by Electronic Funds Transfer (EFT). Using EFT to submit your sales, use, and withholding tax payments eliminates the requirement to file monthly or quarterly paper returns, with the exception of Form 165. The *EFT Debit Application* (Form 2248) or *EFT Credit Application* (Form 2328) must be completed and signed by an officer giving his or her title and returned to Treasury.

Accelerated Tax Payments. Filers who pay more than \$480,000 in withholding tax each year must pay according to their federal schedule and must pay withholding taxes by (EFT). We encourage you to file all your taxes by EFT as this will eliminate the need to file monthly paper returns.

Filers who pay more than \$720,000 in sales or use tax each year must pay their sales and use taxes more frequently. Payments must be made by EFT. If this applies to you and you have not been contacted by Treasury, or you would like more information about accelerated payments, go to the Web site listed on page 3.

Additional forms and information about EFT and Accelerated Tax payments can be found at www.michigan.gov/biztaxpayments.

Filers Who Pay Once a Year. Filers with no deductions should use the simplified instructions on page 8.

Address or Business Changes. To make address or business changes, use Form 163. Do not write the information on the return.

Pre-Identified Returns and Vouchers. A *Combined Return for Michigan Taxes* (Form 160), and *Discount Voucher for Sales and Use Taxes* (Form 161), contain specific information about your account that is processed by electronically scanning the document. Do not change, copy, or use forms from another business. If you lose your booklet of returns and/or vouchers, contact Treasury to have a new booklet mailed to you. Use the correct pre-identified form for the period for which you are filing.

Magnetic Media/W-2 Reporting. The State only accepts magnetic W-2 reporting in the format published by the Social Security Administration. Filing and format instructions are provided on *Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s to the State of Michigan* (Form 447).

E-Registration for Business Taxes. If you already have a Federal Employer Identification Number (FEIN) and wish to register for business taxes, you may submit your registration information online. By completing your application online, your business can:

- Receive your Sales Tax License within seven days
- Add taxes or licenses from its registration.

You cannot use your Social Security number as your FEIN. Registration information and a link to the joint Unemployment Insurance Agency/Treasury e-Registration site can be found at www.michigan.gov/businessstaxes.

Registering and Filing Returns

Businesses that make retail sales or hire employees must register their business and file periodic returns to pay the sales, use, and withholding taxes due. Treasury sets a monthly, quarterly, or annual filing frequency based on your tax liability. If you receive a coupon book, it will have the correct number of forms you need.

Your filing frequency may change over time. When it does, Treasury will notify you and send you the necessary materials. If you file only once annually and your accumulated sales, use, and withholding taxes become \$750 or more, you must notify Treasury immediately. We will change your filing status and provide you with the appropriate tax materials.

Sales Tax

You must register to pay sales tax if you make retail sales of goods in Michigan **even if the items you sell are not taxable.**

501(c)(3) or 501(c)(4) Nonprofit organizations. If you make sales at retail you must register for a sales tax license even if the items you sell are not taxable. If your gross sales during the year are less than \$5,000, you do not need to collect or pay sales

tax. However, if you collect sales tax, you must remit it even if your aggregate sales for the year are less than \$5,000.

For example, if you expect your gross sales to be \$6,500 and collect sales tax, but your actual gross sales were only \$4,000, you must pay the sales tax collected to Treasury. See the worksheet instructions for line 5i on page 11.

If you don't collect sales tax on your sales, but your sales are \$5,000 or more, you are liable for the tax on those sales. To calculate the sales tax due, see the worksheet instruction for line 5j and divide your gross sales by 17.6667. See Revenue Administrative Bulletin 1995-3 on Treasury's Web site or contact Customer Service at (517) 636-4730.

Use Tax on Sales and Rentals

You must register and pay use tax if you:

- Are doing business in Michigan but do not have a retail location in Michigan;
- Voluntarily collect use tax for your customers;
- Sell telephone, telegraph and other leased wire communication services;
- Rent hotel and motel rooms or other accommodations; or
- Lease tangible personal property to Michigan customers from a Michigan or an out-of-state location.

Use Tax on Purchases

Almost every business has a use tax liability. You must pay use tax on your purchases if you:

- Buy goods from out-of-state, unlicensed vendors, unless a valid exemption can be claimed;
- Buy inventory exempt from tax for resale on which no tax is due, then remove items from that inventory for personal or business use; or
- Use the items you buy for resale to make gifts for friends and family or for other personal uses.

Income Tax Withholding

You must register and pay income tax withholding if you:

- Are a flow-through entity, S-corporation, partnership, limited partnership, limited liability partnership, or limited liability corporation with taxable income available for distribution to nonresident members;
- Pay wages to an employee; or
- Withhold income tax amounts from other kinds of payments (e.g., lottery winnings, insurance payments, retirement income, etc.).

For complete withholding information, see *Michigan Income Tax Withholding Guide* (Form 446).

If you are self-employed and expect your annual tax due to be more than \$500, you must report and pay income tax quarterly using *Michigan Estimated Individual Income Tax Voucher* (MI-1040ES). Otherwise, you may pay your income tax on *Michigan Individual Income Tax Return* (MI-1040).

Flow-through entities (S-corporations, partnerships, limited partnerships, limited liability companies and limited liability partnerships) are required to withhold Michigan income tax on the taxable income available for distribution to nonresident members. The amount of withholding is calculated and remitted on a quarterly basis by multiplying 4.35 percent by the share of taxable income allocable to each member, adjusted for the allowable exemption amount for a quarter. Refer to RAB 2003-4 on Treasury's Web site for more information.

A flow-through entity is also required to withhold Michigan income tax when one or more of the entity's members is a nonresident flow-through entity. The flow-through entity in Michigan shall withhold Michigan income tax from any such nonresident flow-through entity on behalf of all of the nonresident members.

What Form to File and Filing Instructions

With this booklet you received the following forms personalized with your business name and account number: monthly (or quarterly) returns, an annual return, a notice of change in your business status, and discount vouchers (for sales and use tax filers only). Some forms may not apply to you.

To prepare your return accurately, complete your worksheet before attempting to complete your return. Each item on the return corresponds to a line number on the worksheet.

Enter your amounts carefully and completely in the boxes provided. Do not write any messages, credit amounts, or symbols (+, -, ()) on the returns or vouchers; returns are processed by automated equipment. Instead, use Form 163 or write to Treasury.

Use Form 160 if you are paying all the taxes due at one time either on the 12th or the 20th. If you are paying only part of your tax, use Form 161. Form 161 is a payment form only and does not replace the return. A return is still required even if no tax is due.

Complete the form and carefully detach it. Make sure you are sending the form for the correct filing period. Make your check payable to the "State of Michigan" and write "SUW" and your account number on your check. Do not fold your check or the form. Mail the form and check to the address printed on the bottom of your return or voucher.

Combined Return for Michigan Taxes (Form 160)

Monthly and quarterly filers not registered to pay by EFT must use this return. (Annual filers and EFT filers do not use this return.) You are required to file even if no tax is due.

The return and payment are due on or before the 20th of the month following the tax period (month or quarter). If the 20th falls on a holiday or weekend, the due date is the first business day following the weekend or holiday.

Michigan Business Tax Estimates (MBT). If paying quarterly, MBT estimates are due on the 15th of the month following the end of the quarter. If filing MBT monthly using Form 160 or paying by EFT, monthly payments may be filed on the 20th day of the month. For example, a calendar year taxpayer may file monthly MBT estimates using Form 160 on February 20,

March 20, and April 20 rather than a single quarterly payment on April 15 provided the combined estimates for those months are calculated using the instructions provided. See page 31 for additional MBT information.

Filing Instructions

When you file the paper return, complete only one form and write a single check for the total sales, use, withholding, and Michigan business taxes (MBT) due using the instructions below:

Sales tax. Enter amount from worksheet line 10B.

Sales tax discount. Enter amount from worksheet line 11B. Be sure to include any discount you may have taken if you filed a voucher by the 12th.

Use tax (sales/rentals). Enter amount from worksheet line 10A.

Use tax discount. Enter amount from worksheet line 11A. Be sure to include any discount you may have taken if you filed a voucher by the 12th.

Use tax (purchases). Enter amount from worksheet line 14b.

Michigan withholding. Enter amount from worksheet line 16.

MBT Estimates. Enter amount from worksheet line 19 that you are paying with this return.

Voucher payment. Enter amount of tax paid early from the total payment line of Form 161. This is not a credit or subtotal line. Only enter an amount here if you filed by the 12th.

Penalty and interest. Enter amount from worksheet line 18.

Total payment. Enter the amount of your check.

Before mailing your return, make sure:

1. Form 160 is completed using tax due figures. Gross sales figures are reported on the annual return only.
2. Figures entered on return correspond to the description provided for that tax line.
3. Subtotal amounts have not been entered on Form 160.
4. Account information changes have not been requested on the return. File Form 163 for these changes.
5. A return is submitted for each filing period required according to your filing status. This includes return periods that have zero due or no activity.
6. Payment for the MBT estimate is enclosed with Form 160 if reporting your MBT estimate on that form.
7. All discounts have been calculated and reported correctly.
8. Appropriate pre-identified return is used for filing period indicated on that return.
9. Negative/credit figures have not been entered on the return.
10. Tax payment is enclosed with return.
11. Your account number is written on your check.

Discount Voucher for Sales and Use Taxes (Form 161)

Form 161 is only used by filers who pay part of their tax early to obtain a discount. If you pay all your tax early, use Form 160; you will still get your full discount. If you use Form 161 to make an early payment, you must still file a return, even if your balance due is zero.

Do not use Form 161 if you are a monthly filer who owes less than \$1,200 in sales or use tax, quarterly filer, or a taxpayer who files once a year.

When the tax rate increased from 4 percent to 6 percent, the law required 100 percent of the 2 percent increase to go to the school aid fund. The additional 2 percent is not discounted. Therefore, discounts are calculated using 2/3 (.6667) of the sales and/or use tax collected at the 6 percent tax rate.

Filing Instructions

On the first line (tax amount you are paying early), enter the amount of each tax (sales or use) you are paying early. **REMINDER:** If you are paying all your tax (even by the 12th), use the monthly/quarterly return.

On the second line (discount amount from chart), enter the amount of discount for each tax type that you computed using the charts on page 12.

On the third line (tax minus discount), subtract the discount from the amount due and enter here.

Notice of Change or Discontinuance (Form 163)

Use Form 163 to notify Treasury of any change(s) in your account. You must report:

- Change in mailing address
- Change in legal business address
- Change in account number
- Discontinuance of business
- Sale of all or part of a business
- Sale of a business but operating another business
- Change of ownership, e.g., adding a partner or incorporating
- Addition or deletion of a tax type (to add a tax, you must be registered with the State of Michigan)
- Change in seasonally active months.

Annual Return for Sales, Use and Withholding Taxes (Form 165)

All sales tax, use tax, and income tax withholding filers must file Form 165 each year, even if no tax is due. Form 165 is the only return required from businesses that file once a year. For taxpayers who submit monthly or quarterly returns, Form 165 balances the tax due for the year with the monthly or quarterly payments made during the year. Do not use Form 165 instead of your monthly or quarterly return. Form 165 and payment are due February 28. No extensions are granted for filing Form 165.

If You Don't Have Returns

Not having returns does not relieve your obligation to pay timely. Pre-identified returns have been mailed for your account and should be used when available. If a pre-identified

return is not immediately available, Form 160 is available at www.michigan.gov/business taxes. Instructions and a mailing address will be provided once the form is accessed on the Web. If Internet access is not available, send your payment with a letter including your name, address, phone number, account number, return period, and the amount of each tax and payment involved.

If you are including payment for Form 160, mail to:

Michigan Department of Treasury
Department 77003
Detroit, MI 48277-0003

If you are not including payment for Form 160, mail to:

Michigan Department of Treasury
Lansing, MI 48930

When using these options, you should include a written request with your payment, or contact the Registration Unit at (517) 636-4660 for a new set of pre-identified returns to be mailed to you.

Late or Insufficient Payment

Returns filed late or without payment of tax due are subject to penalty and interest. Instructions for line 18 on the worksheet explain how to figure penalty and interest on monthly or quarterly returns. Form 165 instructions for line 26 explain how to figure penalty and interest. Additional penalties may be charged for failing to meet statutory requirements.

If your return is not filed, Treasury will estimate your tax and bill you. Also, late filing of a return may result in an immediate assessment and legal action may be taken to collect unpaid taxes, penalty, and interest.

Legal action may include filing liens on real and personal property, levying on bank accounts or receivables, seizure and sale of assets, and cancellation of your sales tax license. Business owners and corporate officers may be held personally responsible for unpaid taxes.

Accelerated, monthly, and quarterly taxpayers who fail to file Form 165 are subject to a penalty of \$10 per day from the due date until the return is filed. Maximum penalty is \$400.

Sales Tax License

Sales tax licenses are renewed annually unless discontinued by the taxpayer or by Treasury.

You may not use the sales tax license to purchase goods and supplies for your own use. See page 3 for information about use tax.

Sales tax licensees who buy goods for resale must furnish their suppliers with a completed *Michigan Sales and Use Tax Certificate of Exemption* (Form 3372) containing their sales tax license number or provide the same information to the seller in another format.

Taxpayer's Account Number

If you had an FEIN when you registered, your Michigan taxpayer account number is your FEIN. If you did not have an FEIN when you registered, you have been assigned a Treasury

(TR) number. In some instances, a Michigan Establishment (ME) number has been assigned.

You may have been assigned both an ME number and an FEIN, or multiple ME numbers. Keep your tax accounts accurate by filing separate returns for each account number.

Amended Monthly/Quarterly Returns

NOTE: Form 160 is used to amend periods in the current year. Use Form 165 to amend previous years.

If an amendment for the current year results in additional tax due, complete the return with the corrected figures, write “amended return” on the top of the form, and send your return and payment to the address listed on the form. Attach an explanation for the amendment and write your account number and the filing period on the correspondence.

If the amendment results in a credit within the current year, do not change the figures on the return for the period being amended. Carry the credit forward on your worksheet and reduce the tax due on the monthly/quarterly return. Continue until you have an amount due and enter and pay the amount on the next monthly/quarterly return filed.

Do not enter a negative amount on Form 160 – scanning equipment reads all entries as debits (money owed). See instructions for worksheet, line 21. If the amendment results in a credit carried forward to the next year, use Form 165. Treasury will notify you when your credit is available.

Amended Annual Returns

NOTE: Form 165 is used to amend previous years. Use Form 160 to amend periods in the current year.

To amend Form 165 for a previous year, complete the return with the corrected figures. Check the “Amended Return” box on page 1 and indicate the date amended. On page 2 of Form 165, write an explanation for the amendment.

If the amendment results in additional tax due, send your return and payment to the address listed on the form. If the amendment results in a refund or credit forward, send the form to:

Customer Contact Division
Michigan Department of Treasury
P.O. Box 30427
Lansing, MI 48909

Treasury will notify you when your credit is available.

W-2 Corrections

If you find an error in the Michigan withholding on a W-2 after it has been issued, do not issue a corrected W-2 for less withholding than was on the original W-2. This type of correction must be handled between the employer and the employee or by the employee on the MI-1040. Do not request a refund for this type of error using an amended Form 165.

If the error was for more withholding than was on the original W-2, issue a corrected W-2 and send a copy to Treasury. The corrected form should be clearly marked “Corrected by Employer.”

Gasoline Retailers and Wholesalers

Complete Form 160 or 161 first; then carry forward your payment figure to a *Gasoline Retailer Supplemental Report* (Form 2189) or to *Gasoline Supplier and Wholesale Distributor Prepaid Sales Tax Report* (Form 429), and complete.

Attach your supplemental report to your return. Write your business name and account number on all supplemental reports to ensure you are credited properly for prepaid sales tax on gasoline.

The credit will reduce the amount of tax you will pay with your monthly or quarterly tax returns. If you have a start-up loan from December 1983, you may apply any credit above your tax due or you may complete a *Refund Request for Prepaid Sales Tax on Gasoline* (Form 3891). When preparing Form 165, include the gasoline retailer and wholesaler prepayments on line 13b.

Seasonal Taxpayers

You must file a return for each of the seasonally active months shown on your returns, even if no tax is due. Also, if you make sales or pay wages during the months when you are normally closed, you must file returns for those months. Seasonally active months may be changed by completing Form 163.

Returns Due After Selling or Quitting Business

All taxpayers must submit a final monthly or quarterly return within 15 days after the date of selling or quitting business. Your final annual return is due by February 28. Contact the Tax Clearance Unit at (517) 636-5260 to confirm all debts have been satisfied.

Instructions and Worksheets

This booklet includes instructions and worksheets to calculate your tax due and prepare returns for sales, use, and withholding taxes. Most taxpayers collect and pay tax at only the 6 percent rate and don’t need a worksheet with a 4 percent column. Taxpayers who still collect at the 4 percent rate will receive a different set of worksheets and an annual return with both the 4 percent and 6 percent columns. If you don’t receive the worksheets and need them, contact the Customer Service Line at (517) 636-4730.

Keep the completed worksheets for your records and for possible audit. Do not file your worksheet in place of filing a monthly, quarterly, or annual return. Filing the wrong form delays crediting your account.

General Instructions – Annual Return (Form 165) Filing Requirements

You must file Form 165 if you are registered for sales, use or income tax withholding in the State of Michigan. Monthly and quarterly filers must file Form 165 on a calendar-year basis (not your fiscal year).

Taxpayers who have multiple active account numbers (ME and/or FEIN) in a tax year are required to file separate annual returns for each account number assigned. Identify the registered tax types for each account number and include only those tax figures on the corresponding annual return. If you

have an outside payroll or accounting agency, coordinate this filing responsibility with them.

If during the year your accumulated sales, use and withholding taxes become \$750 or more, you must notify Treasury to change your filing status and provide you with the appropriate tax returns.

Form 165 must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer or officer's agent or association member, officer, or agent. No other person may sign for the taxpayer in the taxpayer's signature box.

W-2 Wage and Tax Statements

You must furnish W-2 statements to your employees by January 31. Refer to the "W-2 Corrections" section on page 6 for amending W-2 statements.

Employers with Michigan employees must report W-2 information to Michigan on or before February 28 by enclosing W-2 forms with Form 165.

A 1099-MISC must be filed for services performed in the State of Michigan, regardless of the state of residence of the payee, whether there was withholding or not.

Taxpayers not registered for withholding should file correspondence with the business account number and mail to:

Michigan Department of Treasury
Lansing, MI 48930

If you have 250 or more Michigan employees, you must report using magnetic tapes or diskettes. If you have fewer than 250 employees, you may report using magnetic media or using the State copy of the federal W-2. See page 27 for specifics about magnetic reporting.

Mail your annual return and all W-2 information to:

WITH PAYMENT:

Michigan Department of Treasury
Department 78172
P.O. Box 78000
Detroit, MI 48278-0172

WITHOUT PAYMENT:

Michigan Department of Treasury
Lansing, MI 48930

Address your tapes or disks to:

Return Processing Division
Magnetic Media Unit - SUW
Michigan Department of Treasury
Lansing, MI 48930

ANNUAL RETURN (Form 165): Line-by-Line Instructions

NOTE: If you pay only income tax withholding or file annually and do not have deductions, use the simplified instructions on page 8.

Sales and Use Tax

Lines 1 through 9: Monthly and quarterly filers, in each column add the entries from all your worksheets for the year and enter the totals on the corresponding line on Form 165.

Taxpayers who file annually, follow the line-by-line instructions for the monthly and quarterly worksheet, beginning on page 11.

Line 10: Add lines 8 and 9 and enter the totals in each column.

Line 11: Taxpayers filing monthly or quarterly enter the total discounts allowed for the year in each column. Total the amounts from the monthly or quarterly worksheet line 11 in each column. Include discounts from Form 2189 and *Vehicle Dealer Supplemental Report* (Form 92).

Taxpayers filing annually receive a discount if the return is filed timely. The discount applies only to 2/3 (.6667) of the sales and/or use tax collected at the 6 percent tax rate. Use Chart 2 on page 12 to figure your discount.

If you opened for business late in the year or ended your business early in the year, the \$6 per month discount is allowed only for the months you were in business. No discount is allowed if the return is filed after February 28.

Line 12: Total tax due. Subtract line 11 from line 10 and enter the differences in each column.

Line 13: Enter the total amount of each tax paid after discounts during the report year. Include the amount from your gasoline retail or gasoline supplier and wholesale reports. Do not include any penalties or interest paid. This amount should be the total of all payments for the year from your monthly/quarterly worksheet, line 12.

Use Tax on Purchases Only

Line 14: Enter purchases which were taxable at the 6 percent rate. Multiply by 0.06 and enter the tax due on the line at the far right.

Line 15: Enter the use tax on purchases paid during the year. This amount should be the total of all payments for the year from your monthly/quarterly worksheet line 14b.

Income Tax Withholding

Line 16: Enter your gross Michigan payroll and other taxable compensation for the year, and any amount from box 7 on the *Statement of Michigan Income Tax Withheld for Nonresidents from Flow-Through Entities* (Form 4119).

Line 17: Enter the number of W-2 statements, 1099-MISCs, plus 1099s, 1099-Rs and Form 4119, with Michigan withholding you are submitting for the year.

Line 18: Enter the total Michigan income tax withheld for the year as shown on the W-2 and 1099-MISC statements and from Box 8 of Form 4119.

Line 19: Enter the total Michigan income tax withheld that was paid on your monthly or quarterly returns. This should be the total of line 16 on all your worksheets for the year. (Do not include penalty and interest.)

Summary

Line 20: Total the taxes due. Add lines 12A, 12B, 14B, and 18 and enter the total here.

Line 21: Total taxes paid. Add lines 13A, 13B, 15, and 19 and enter the total here.

Line 22: If line 21 (tax paid) is greater than line 20 (tax due), enter the difference (overpayment) here.

Line 23: Enter the amount of the overpayment you want applied to your monthly or quarterly return. Treasury will notify you when your credit is available.

Line 24: Enter the amount of overpayment from line 22 you want refunded to you. Refunds will not be made in amounts of less than \$1.

Line 25: If line 21 (tax paid) is less than line 20 (tax due), enter the additional tax due. Pay any amount \$1 or over with this return.

Line 26: If your return is late, compute the penalty and interest due. If no tax is due on line 25, the penalty is \$10 per day to a maximum of \$400.

If you have a tax due on line 25, the penalty is as follows:

- 5 percent of the tax due (line 25) if the late payment is received within 2 months of the due date.
- 5 percent of the tax due for each subsequent month, or part thereof, the tax is not paid.
- Maximum penalty is 25 percent of tax due.
- Interest is due at the rate of 1 percent above the prime interest rate from the day the tax is due until it is paid. The prime rate will be adjusted January 1 and July 1.
- A penalty and interest calculator is available on Treasury's Web site at www.michigan.gov/taxes.

Line 27: Amount due with this return. Add lines 25 and 26. Make check payable to the "State of Michigan." Write your account number and "SUW" on your check. Do not pay if the amount due is less than \$1.

ANNUAL RETURN (Form 165) – Simplified Instructions for Annual Filers With No Deductions

If you file annually (no quarterly or monthly payments) and have no allowable deductions, use the instructions below to complete Form 165 faster. If you are not registered for sales or use tax, skip to step 9.

Step 1: Complete lines 1 through 4.

Step 2: Carry amount from line 4 to line 6.

Step 3: Multiply the amount on line 4 by the tax rate (6 percent), and enter the result on line 8.

Step 4: Enter on line 9 any amount you collected in excess of line 8. For example, if you entered \$40 on line 8 but actually collected \$50, enter \$10 on line 9.

Step 5: Add lines 8 and 9 and enter on line 10.

Step 6: Line 11 is your discount amount. You are eligible for a discount if you pay the tax due by February 28. The discount applies only to 2/3 (0.6667) of the sales and/or use tax collected at the 6 percent tax rate. Use Chart 1 below to figure your discount and enter it on line 11.

If you were only open part of the year, multiply the number of months you were open by \$6. Compare that against the discount amount you figured in Chart 1. Enter the smaller of these two numbers on your worksheet, line 11.

Step 7: Unless you paid tax during the year, line 13 should be zero.

Step 8: If you bought any goods during the year from an out-of-state vendor and did not pay sales tax on them or if you took items from inventory for personal or business use, complete lines 14 and 15. See page 3 for more information about the use tax.

Step 9: If you have employees, complete lines 16 through 19. If you have no employees, enter zero on line 19.

Step 10: Summary. Complete lines 20 and 21.

Enter the difference on line 25. If paying late, enter any penalty or interest due on line 26 and total your amount due on line 27.

Step 11: Transfer the information from your worksheet to Form 165. Keep your worksheet for your records.

Make your check payable to the "State of Michigan." Write your account number and "SUW" on your check. If you are filing Form 165 with any other remittance form, send a separate check for each form.

WITH PAYMENT:

Michigan Department of Treasury
Department 78172
P.O. Box 78000
Detroit, MI 48278-0172

WITHOUT PAYMENT:

Michigan Department of Treasury
Lansing, MI 48930

Chart 1

If your tax due is less than \$108...

Amount of tax due	\$
	x 0.6667
Discount Amount =	\$
Enter on worksheet, line 11.	

If your tax due is \$108 or more, enter \$72 on worksheet, line 11.

LINE-BY-LINE INSTRUCTIONS – MONTHLY AND QUARTERLY WORKSHEETS

Begin on line 15 if filing withholding only. Go to page 7 if you file annually. Columns not referenced on specific lines indicate they are not applicable.

Line 1, Gross Sales:

Column A, Use Tax on Sales and Rentals: This line is for out-of-state retailers who do not have retail stores in Michigan. Enter total sales of tangible personal property including cash, charge, and installment transactions.

Column B, Sales Tax: Enter total of all sales of tangible personal property including cash, charge, and installment transactions.

Line 2, Rentals, Column A: Lessors of tangible personal property who pay use tax on rental receipts must enter rental income. Also enter total hotel and motel room rentals including assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, or the Community Convention or Tourism Marketing Act. See Line 5i for instructions on deducting the assessments from rentals.

Line 3, Communication Services, Column A: Enter gross income from telecommunications services.

Allowable Deductions: Use lines 5a - 5j to deduct nontaxable sales you made from gross sales. Deductions taken for tax exempt sales must be substantiated in your records. For lines 5a and 5b, as well as items 3 through 5 under line 5i, you must obtain a completed copy of Form 3372, or the same information in another format, from the purchaser.

Line 5a, Resale: Enter sales which will be resold to others.

Line 5b, Industrial Processing/Agricultural Producing: Enter sales of tangible personal property and services to persons entitled to exemption as industrial processors or agricultural producers. The property sold must be for direct use in producing a product for eventual sale.

Line 5c, Interstate Commerce: Enter sales made in interstate commerce. To claim such a deduction, the property or service must be delivered by you to the purchaser out of state. Property transported out of state by the purchaser does not qualify under interstate commerce. You must keep documentation of shipment out of state to support this deduction.

Line 5d, Exempt Services: Enter charges for nontaxable services billed separately, such as repair or maintenance, if these charges were included in gross receipts on line 1. Any costs incurred before the property is transferred to the buyer (including shipping, handling, and delivery charges) are not considered services and are subject to tax.

Line 5e, Tax Paid to the Secretary of State, Column B: Enter sales by licensed vehicle dealers (not including tax) of vehicles and mobile homes on which you paid sales tax to the Secretary of State.

Line 5f, Food for Human/Home Consumption: Enter total of retail sales of grocery-type food, excluding tobacco and alcoholic beverages. Prepared food is subject to tax.

Line 5g, Bad Debts: You may deduct the amount of bad debts if the bad debt was documented as a taxable transaction in your records.

Line 5h, Michigan Motor Fuel or Diesel Fuel Tax, Column B: Retailers may deduct the Michigan motor fuel taxes that were included in gross sales on line 1 and paid to the State or the distributor.

Line 5i, Other Deductions: Include deductions not covered in items 5a through 5h on this line. Examples of deductions are:

- Assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, or the Community Convention or Tourism Marketing Act. Hotels and motels may deduct the assessments included in gross sales and rentals provided use tax on the assessments was not charged to the customers.
- Credits allowed to customers for voluntary return of merchandise previously sold and originally subject to sales tax. Credit, including tax charged, must be granted to the customer. If returned for full credit within four years, a full credit of tax should be granted. If returned for partial credit within 180 days or within seller's stated refund policy, whichever is sooner, a partial refund of tax must be granted. Repossessions are not allowable deductions.
- Direct sales to the United States Government, State of Michigan or its political subdivisions. Direct sales not for resale to certain nonprofit agencies, churches, schools, hospitals and homes for the care of children and the aged, provided such activities are nonprofit and payment is directly from the funds of the exempt organization.
- Sales to contractors of materials which will become part of a finished structure for a qualified exempt nonprofit hospital, qualified exempt nonprofit housing entity or church sanctuary. The purchaser will provide a Michigan Sales and Use Tax Contractor Eligibility Statement (Form 3520). See Revenue Administrative Bulletin 1999-2.
- Sales to companies who claim direct payment of use tax to the State of Michigan. Such companies must have a sales tax license or use tax registration, and have a letter from Treasury specifically granting direct payment authority. You must retain a copy of your customer's direct pay authority letter to support future exemption claims.
- Purchases for resale or lease on which sales or use tax was paid to the supplier.
- Qualified nonprofit organizations may take a deduction of their sales if total sales are less than \$5,000 and you did not collect sales tax from your customers. If total sales are \$5,000 or more, the entire amount of sales is subject to tax. For qualifications, see Revenue Administrative Bulletin 1995-3.

Line 5j. Tax included in gross sales.

Column B: Complete this line only if you have tax included in your gross sales. Subtract the sum of lines 5a through 5i from the gross sales in each column. Divide the result by 17.6667 and enter on line 5j.

Line 5k, Total Deductions: Enter total of lines 5a through 5j.

Line 6: Subtract line 5k from line 4 to determine the sales subject to tax.

Line 8: Multiply the amount on line 6 by 6 percent (0.06) and enter on line 8.

Line 9: If you collected more tax than the amount on line 8, enter the difference on line 9. **NOTE:** Annual taxpayers – Go to line 10 under instructions for filing annual return on page 7.

Line 10, Total Tax Due: Add lines 8 and 9 and enter total. If line 10 is zero or you are not paying by the 20th, skip line 11 (discounts). Enter the amount from column B on the sales tax line on your return. Enter the amount from column A on the use tax (sales/rentals) line on your return.

Line 11: Use Chart 2 to figure your discount (discounts are not allowed on late payments). Enter the amount from your worksheet on the discount line of Form 161 or on the appropriate line for sales or use tax discount on Form 165. Enter separate amounts for use tax and sales tax.

The maximum discount for payments made between the 12th and the 20th is \$15,000 per tax. If you paid part of your tax on or before the 12th, the total combined discount allowed is \$20,000 per tax. If you were open for business for only part of a month or quarter and you take the minimum discount, multiply the discount by the number of days you were open, then divide the result by the number of days in the period (30 or 90).

Use Tax - Purchases Only: See Page 3.

Line 14A: Enter purchases which were taxable at the 6 percent rate.

Line 14B: Multiply line 14a by 0.06 and enter the tax due and on the use tax (purchases) line on your return.

Line 15: Enter gross Michigan payroll for the month or quarter.

Line 16: Enter income tax withheld here and on the withholding line on Form 165.

Summary

Line 17: Add lines 13, 14b, and 16 and enter the total.

Line 18: Penalty and interest are charged for late payment of tax. The penalty is 5 percent of the tax due if the late payment is received within the first two months of the due date. For each subsequent month, or part thereof, the penalty increases by an additional 5 percent of the tax due. The maximum penalty is 25 percent.

Interest is charged daily at a rate of 1 percent above the prime rate. The interest rate is adjusted on January 1 and July 1.

Example: If the payment or return was due February 20 but is not received until June 7, calculate the penalty as follows:

2/21 TO 4/20 (2 MONTHS) = 5%
4/21 TO 5/20 (1 MONTH) = 5%
5/21 TO 6/7 (PARTIAL MONTH) = 5%
TOTAL PENALTY = 15%

In addition, add interest at 1 percent above the prime rate as computed on the total tax due shown on line 17. A penalty and interest calculator is available on Treasury's Web site.

Line 19, Michigan Business Tax Estimate: See page 31 for information on filing a combined estimate.

Line 20: Add lines 17, 18, and 19 and enter total.

DO NOT ENTER CREDIT FIGURES ON THE RETURN. Using credit figures on the return may result in a tax assessment. Carry credits forward on your worksheet instead.

Line 21: Enter any credits for your account here.

Line 22: Subtract line 21 from line 20. This is the amount of tax due. Enter this amount on Form 160 and make your check payable for this amount.

IMPORTANT: Reduce each of the taxes reported on Form 160 to reflect the amount of the credit. If the amount on worksheet line 22 is less than zero, enter zero on Form 160. Do not put amounts on any other line. Carry the rest of the credit forward to the worksheet for the next filing period.

LINE 11, FIGURING YOUR DISCOUNT: You can receive a discount by filing your sales or use (on sales and rentals) taxes early or timely. Any portion of taxes paid by the 12th of the month are discounted 3/4 of 1%. Taxes paid between the 12th and the 20th (including the 20th), are discounted 1/2 of 1%. Discounts apply only to 2/3 (.6667) of the sales and/or use tax collected at the 6% tax rate. Review the instructions below to see if you need to do any calculation. If you do, use Chart 2 to figure your discount. Complete the chart once for use tax and once for sales tax.

Monthly Filers: If your tax is less than \$9, complete Chart 2. If paying by the 12th and your tax is \$9 to \$1,200, enter \$6 on the worksheet, line 11. If greater than \$1,200, complete Chart 2. If paying by the 20th and your tax is \$9 to \$1,800, enter \$6 on the worksheet, line 1. If more than \$1,800, complete Chart 2.

Quarterly Filers: If your tax is less than \$27, complete Chart 2. If paying by the 12th and your tax is \$27 to \$3,600, enter \$18 on the worksheet, line 11. If your tax is more than \$3,600, complete Chart 2. If paying by the 20th and your tax is \$27 to \$5,400, enter \$18 on the worksheet, line 11. If your tax is more than \$5,400, complete Chart 2.

CHART 2

Paying by the 12th (Maximum Discount: \$20,000)

Amount you are paying early..... _____
x .6667

STOP. See below. * _____
x .0075

Discount Amount. Enter on worksheet, line 11 _____

* If you pay your tax monthly and this amount is \$6 or less, enter this amount on your worksheet, line 11. If you pay your tax quarterly and this amount is \$18 or less, enter this amount on your worksheet, line 11. **All others, finish the chart.**

Paying by the 20th (Maximum Discount: \$15,000)

Amount you are paying timely _____
x .6667

STOP. See below. * _____
x .005

Discount amount. Enter on worksheet, line 11..... _____